E-L FINANCIAL CORPORATION LIMITED

1976 Annual Report

E-L FINANCIAL CORPORATION LIMITED

Contents

E-L FINANCIAL CORPORATION LIMITED

The Year at a Glance

9th Annual Report

	1976	1975
Net Premium Income		
General Insurance	$ 77,991,000	$ 58,320,000
Life Insurance	33,493,000	29,994,000
Total Net Premiums	111,484,000	88,314,000
Total Revenues	131,560,000	105,793,000
Statutory Operating Earnings	5,996,000	2,707,000
Statutory Earnings Including Capital Gains	6,375,000	2,990,000
Total Assets	323,131,000	282,000,000
Capital, Surplus & Investment Reserves	45,824,000	39,741,000
Life Insurance in Force		
Individual Lives	1,375,069,000	1,196,607,000
Group Insurance	1,176,782,000	997,387,000
Total Life Insurance in Force	2,551,851,000	2,193,994,000
Statutory Earnings per Share		
Operating Earnings (Loss)	1.80	.81
Earnings Including Capital gains	1.91	.89

NOTE- Per share earnings figures assume full conversion of the Company's convertible preferred stock.
Volume figures for Insurance in Force are expressed net of reinsurance ceded.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 12:00 noon Toronto time on Thursday, April 21, 1977 at the Company's head office, 165 University Avenue, Toronto. All shareholders are invited to attend.

Board of Directors

HONOURABLE LOUIS P. BEAUBIEN
Member of the Canadian Senate

COLIN E. BENNETT, Q.C.
President, Victoria and Grey Trust Company

E. KENDALL CORK
Vice President and Treasurer, Noranda Mines

JAMES V. EMORY
President, United Corporations Ltd.

PETER S. GOODERHAM
Chairman of the Board, The Dominion of Canada General Insurance Company

WILLIAM B. HARRIS
Chairman of the Board, Mercantile and General Reinsurance Group

KENNETH G. HUTCHISON
President, The Dominion of Canada General Insurance Company

HENRY N.R. JACKMAN
Chairman of the Board, The Empire Life Insurance Company

W. LEO KNOWLTON, Q.C.
Director, Canada Permanent Trust Company

HENRY E. LANGFORD, Q.C.
former Chairman, Ontario Securities Commission

ROBERT M. MacINTOSH, LL.D.
Executive Vice-President, Bank of Nova Scotia

BRIAN R.B. MAGEE
Chairman of the Board, A.E. LePage Limited

T. STEWART RIPLEY
President, Metropolitan Trust Company

J. STUART M. WASON, F.F.A., F.C.I.A., A.S.A.
President, The Empire Life Insurance Company

Honorary Directors

HENRY R. JACKMAN, O.C., K.St.J., Q.C.
President, Dominion and Anglo Investment Corporation Limited

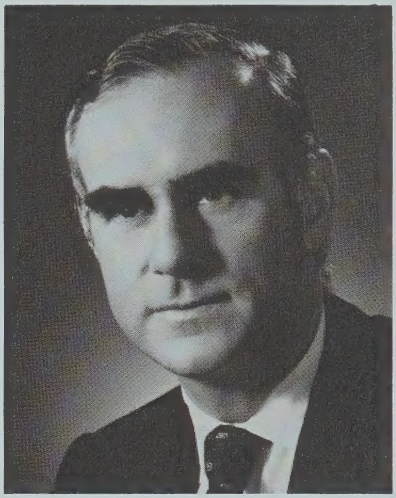
RT. HONOURABLE D. ROLAND MICHENER, C.C., C.M.M., C.D., P.C., Q.C., LL.D., D.C.L.
former Governor General of Canada

Officers

HENRY N.R. JACKMAN	PRESIDENT
KENNETH G. HUTCHISON	VICE-PRESIDENT
J. STUART M. WASON	VICE-PRESIDENT
DONALD J. MIANO	VICE-PRESIDENT
J. ALEXANDER LANGFORD, Q.C.	SECRETARY
L.R. ROONEY	TREASURER
I. HUTCHISON	ASSISTANT SECRETARY

Remarks of the President

MR. HENRY N.R. JACKMAN



Net statutory operating profits for 1976 totalled $5,996,000 or $1.80 per share compared with $2,707,000 or 81 cents per share for the year ended December 31, 1975. When capital gains on the sale of securities are included, total statutory earnings per share for 1976 were $1.91 compared with 89 cents the year previous.

GENERAL INSURANCE

The operations of The Dominion of Canada General, your Company's general insurance subsidiary reflected improvement in the Company's underwriting margin during 1976. The total cost of claims was 68.2% of earned premiums compared with 74.3% in 1975. This ratio is still slightly above the break-even point. However our total underwriting loss for the year was only $261,000 compared with $3,291,000 in 1975 and the disastrous loss of $7,024,000 experienced in 1974.

In 1976, higher investment income on our capital and reserves more than offset the underwriting loss so that we recorded total statutory profits from our general insurance operations of $4,789,000 compared with $589,000 in 1975.

Shareholders should be aware that no income taxes are provided for in our 1976 accounts as our Company is still not in a taxable position due to the heavy losses incurred in prior years.

AIB RESTRAINT

Even though our general insurance operations have still failed to show an underwriting profit, shareholders should be conscious that if our Company experiences a further improvement in its underwriting ratio, the possibility exists that the resulting additional profit will be considered "excess" by the Anti Inflation Board. Generally speaking, the AIB has limited the profits of the general insurance industry to a return assuming full income taxes of around 7% to 8% on invested capital. This rate of return compares with a better than 20% return allowed to some banks, trust companies and other financial intermediaries.

The base years for calculating allowable earnings in the general insurance industry were the worst years in the history of the industry so that allowable margins based on the experience of the years immediately previous to 1976 produce a return which is totally inadequate. The AIB rules make no provision for recouping the underwriting losses incurred in the 1974-1975 period which in our case totalled more than $10 million. Nor has any allowance been made for building an additional cushion of surplus in respect of losses for future years which the cyclical nature of our business make inevitable.

The return allowed by the AIB for the general insurance industry is less than can be earned on a portfolio of good Canadian preferred and common stocks. If the AIB insists on regulating profits at a level which is not comparable to the return on Canadian portfolio investments it will come as no surprise if more insurance companies follow the lead of a large number of insurers who have already left Canada. The departure of any more companies will seriously aggravate the problem of lack of capacity which already exists in our industry.

Because of the poor profit showing of our industry, no Canadian general insurance company has been able to go to the capital market for additional financing in recent years. Unlike banks and trust companies, we cannot issue to the public rights to buy more shares. The issuance of debt securities are impractical when the allowable return on investment does not even cover the interest charges. Therefore, the capital necessary for our growth must be funded internally. It is therefore an absolute necessity for the AIB and other regulatory authorities to allow the general insurance industry to earn reasonable underwriting profits if we are to meet the capital requirements required by the Superintendent of Insurance to support the increased premium which is the by-product of an inflationary age.

The discriminatory treatment meted out by the AIB to the general insurance industry when compared with the much more favourable treatment given to other financial institutions, highlights the distortions that are inevitable in any comprehensive system of wage and price controls. Even assuming that the administrators are acting in the best of faith, all systems of controls lead to distortions in the allocation of both capital and human resources.

It is hoped that 1977 will see the end of these controls and the realization on the part of governments that the only way to maintain a sound currency is to put into place the appropriate fiscal and monetary policies.

LIFE INSURANCE

Sales of life insurance on individual lives increased during 1976 to $292 million, a 47% increase over the amount sold in 1975. This figure represents double the amount sold in 1974. As of December 31, 1976, life insurance in force totalled approximately $2.6 billion of which $1.4 billion was on individual lives and $1.2 billion was group insurance. Although the tremendous increase in sales is indeed gratifying, the high initial cost of placing this business has the effect of lowering statutory profits in the early years of the policy life. Consequently shareholders' share of our life insurance profits declined during 1976 from $2,104,000 to $1,203,000.

OTHER INVESTMENTS

In 1976, The Victoria & Grey Trust Company and the Metropolitan Trust Company in which E–L Financial Corporation has 23.5% and 14.8% interests respectively, both issued additional shares to the public in order to finance their further growth. E–L Financial participated in these share issues. Both of these major Canadian trust companies experienced record earnings during 1976. Earnings from these investments are taken into the income of E–L Financial only to the extent of dividends received.

BOARD OF DIRECTORS

At our 1976 Annual Meeting we accepted with regret the resignations of two of our most prominent directors who had

reached the mandatory retirement age. Mr. Henry R. Jackman served as a director of Dominion of Canada for 33 years and Chairman of the Board of Empire Life for almost 20 years. The Right Honourable D. Roland Michener, was a director of Empire Life between 1964 and 1967 before he resigned to assume the post of Governor General of Canada. On leaving the latter position he joined the Board of E–L Financial Corporation and its subsidiary companies.

We are happy to announce that both gentlemen have been appointed Honorary Directors of your Company so that we will have the benefit of their advice in the years ahead.

We are also pleased to welcome to the Board of Directors, Mr. T. Stewart Ripley, President and Chief Executive Officer of The Metropolitan Trust Company.

On behalf of the Board, I would like to thank our employees and field force for their continued support and cooperation. Each and every one of them contributed in a most meaningful way to our continued growth and progress.

Report on General Insurance Operations

Mr. Kenneth G. Hutchison

1976 was a year of rapid growth and modest profit for our two general insurance companies, the Dominion of Canada General and the Casualty Company of Canada. Direct written premiums increased by 34% to $85 million, net premiums written nudged $78 million and net premiums earned rose 33.7% to $71.3 million, the largest single year's growth in the history of our Companies. The volume pattern was fairly consistent across Canada with all branches recording substantial increases.

The continuing effort to improve the mix of our portfolio of business is reflected in the fact that fire and casualty lines, which in 1975 represented 29% of our total volume, increased by 52% in 1976 to now account for 33% of our total. Conversely, automobile insurance, while growing by 26%, actually dropped from 71% to 67% of our total business.

The statutory loss of $261,000, equivalent to .4% of earned premiums, represents a virtual break-even in the underwriting account and since the adversities of 1974 and 1975 precluded payment of dividends or income tax in 1976, our investment income of $5 million flowed through intact to strengthen surplus, so vital to continued growth.

An important step was taken in 1976 which will have a major beneficial effect upon the future of our Company. I refer to our decision to acquire and implement a system called P.M.S., a proven, fully operational, highly computerized, on-line, video terminal type of Policy Management System developed in the U.S.A. The decision to purchase this computer software package was reached after some eighteen months of detailed study and an assessment by independent consultants. Whereas we originally signed on as one of five Canadian customers, the number has since increased to some twenty, with every likelihood that the system will ultimately embrace a major part of the Canadian market. Conversion to P.M.S., now well under way, is scheduled for completion within a period of two years. We are firmly convinced that improved processing capacity through mechanization is a logical forward step in the progress of the Company.

There are both plus and minus factors in the prospects for 1977. On the minus side we face, in Quebec, the avowed intent of the Parti Quebecois to confiscate our automobile business (some $8 million of volume for our group), however that may not happen this year.

The Anti Inflation Board continues to present a problem by forcing us to target our rate making to produce a nil underwriting profit. The situation is unreal. If we make an underwriting profit we are in breach and must dispose of that notional "excess revenue". However if we should have a large underwriting loss, that is our "tough luck" – there is no provision for carrying forward or averaging of results, the very essence of insurance!

This hostile environment continues to impair the collective growth potential of our industry at a time when a provincial trend toward compulsory automobile insurance is taxing capacity.

All things considered, our forecast for 1977 is a continuation of a relatively high volume increase, possibly 20 to 25%, with a marginal underwriting result. Basic rate levels should remain fairly static. However we will not lose sight of the need to provide for continuing inflation, currently slowed but by no means eliminated.

From Management I extend a vote of appreciation to our agents from coast to coast for their patience, cooperation and support. To all our staff, thanks and a sincere 'well done' – 1976 was not an easy year – may 1977 be better.

Report on Life Insurance Operations

Mr. J. Stuart M. Wason, F.F.A., F.C.I.A., A.S.A.

In recent years our life insurance operations have grown very substantially and in 1976 we again experienced a year of vigorous growth.

The volume of new business written on individual lives rose to $292 million compared with $199 million last year and $161 million in 1974. The production of group business also increased substantially in comparison with the previous year and $111 million of new insurance was added to the group portfolio. The total volume of new business written in 1976 amounted to $403 million compared with $291 million a year earlier.

During the year the number of policies terminated for their cash value increased significantly although overall the persistency of our business continues to be favourable. Mortality was again within normal limits but our sickness and accident experience was heavier than in 1975. Total business in force net of reinsurance ceded at year-end amounted to $2.55 billion.

The combined premium income of the two life insurance subsidiaries increased to $33.5 million. Investment and other income of $14.8 million brought the total insurance revenue to $48.3 million. During 1976 $32.3 million was either paid or credited to policyowners and their beneficiaries or was set aside to provide for policy commitments in the future.

Operating expenses and commissions increased substantially during the year directly reflecting the very considerable sales growth and the continuing influence of inflation on the cost of operations. By careful planning and control we are seeking to offset some of these influences and to improve the competitiveness of our unit costs.

The accounting principles which are presently prescribed for life insurance companies have the effect of diminishing earnings during a period of rapid growth and augmenting them when growth is retarded. For several years now the greater proportion of our new business has come from the sale of "participating" products in Empire Life and as a consequence the major portion of the high initial acquisition costs have been borne by the policyowners' fund. In 1976 a shift back towards non-participating policies occurred and this influence combined with heavier group health claims had an effect upon the statutory profit.

After making allowance for income taxes and dividends to participating policyowners the net operating profit amounted to $1,203 million compared with $2,104 million in 1975. Total funds at year-end were $213 million and the net rate of interest earned was 7.65%.

I congratulate our field and administrative personnel upon another year of vigorous growth and extend to them my sincere appreciation for their contributions towards our continuing development.

E-L *FINANCIAL CORPORATION LIMITED* *and subsidiary companies*

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet as at December 31, 1976

(with comparative figures at December 31, 1975)

ASSETS	1976	1975
Short term investments	$ 5,950,000	$ 5,702,000
Bonds and debentures	102,050,000	85,719,000
Preferred stock	14,979,000	14,751,000
Common stock	61,335,000	46,545,000
First mortgages on real estate	91,653,000	86,564,000
Real estate (less depreciation)	5,860,000	5,916,000
Loans on policies	13,024,000	12,120,000
Premiums in the course of collection	14,000,000	11,290,000
Investment income due and accrued	3,136,000	2,874,000
Segregated investment funds	10,001,000	9,844,000
Income taxes recoverable	305,000	429,000
Due from reinsurers and others	101,000	59,000
Other assets	737,000	187,000
	$323,131,000	$282,000,000

Auditors' Report

TO THE SHAREHOLDERS OF E–L FINANCIAL CORPORATION LIMITED

We have examined the consolidated balance sheet of E–L Financial Corporation Limited as at December 31, 1976 and the consolidated statements of income and shareholders' equity in surplus for the year then ended. Our examination of the financial statements of E–L Financial Corporation Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries. The policy reserves and certain other liabilities to policyholders were determined and certified by the subsidiary companies' actuaries.

In our opinion, based on our examination and the certificates of the subsidiary companies' actuaries, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations for the year then ended in accordance with accounting principles as set out in note 1 applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 17, 1977

THORNE RIDDELL & CO.
Chartered Accountants

LIABILITIES

	1976	1975
Policy reserves	$164,690,000	$151,415,000
Unearned premiums	31,471,000	24,793,000
Provision for unpaid and unreported claims	46,768,000	36,417,000
Staff pension fund	8,739,000	7,222,000
Amounts left with company at interest	5,719,000	5,043,000
Bank advances and outstanding cheques	3,805,000	490,000
Premium and other taxes payable	1,083,000	1,041,000
Due to reinsurers and others	2,043,000	1,875,000
Amounts received, not yet allocated	723,000	845,000
Segregated investment funds (note 3)	10,001,000	9,844,000
Provision for profits to policyholders	2,777,000	2,980,000
Dividends payable	75,000	75,000
Participating policyholders' interest in surplus	(1,263,000)	(446,000)
	276,631,000	241,594,000
Minority interest	676,000	665,000

SHAREHOLDERS' EQUITY

Capital stock (note 4)	1,773,000	1,773,000
Contributed surplus arising from issue of shares at a premium	41,000	41,000
General reserve for investments and contingencies	14,000,000	14,000,000
Surplus	30,010,000	23,927,000
	45,824,000	39,741,000
	$323,131,000	$282,000,000

Approved by the Board

Director, Henry N.R. Jackman

Director, Peter S. Gooderham

Consolidated Statement of Income

YEAR ENDED DECEMBER 31, 1976
(with comparative figures for 1975)

	1976	1975
Premium income	$111,484,000	$ 88,314,000
Investment and other income	20,076,000	17,479,000
	131,560,000	105,793,000
Deduct		
Claims incurred	56,494,000	45,807,000
Other benefits to policyholders	10,734,000	9,761,000
Increase in policy reserves and unearned premiums	19,954,000	14,922,000
Agents' commissions	16,317,000	12,235,000
Operating expenses	18,440,000	15,185,000
Premiums transferred to segregated fund	165,000	1,218,000
	122,104,000	99,128,000
Operating income before undernoted items	9,456,000	6,665,000
Income taxes (note 7)	344,000	1,315,000
Premium taxes	2,868,000	1,942,000
	3,212,000	3,257,000
	6,244,000	3,408,000
Policyholders' and minority shareholders' portion of income	248,000	701,000
Net operating income	5,996,000	2,707,000
Profit on sale of securities (note 6)	379,000	283,000
NET INCOME	$ 6,375,000	$ 2,990,000
EARNINGS PER COMMON SHARE based on full conversion of preference shares		
Net operating income	$1.80	$ .81
Profit on sale of securities	.11	.08
Net income	$1.91	$ .89

Consolidated Statement of Shareholders' Equity in Surplus

YEAR ENDED DECEMBER 31, 1976
(with comparative figures for 1975)

	1976	1975
SHAREHOLDERS' EQUITY IN SURPLUS AT BEGINNING OF YEAR	$ 23,927,000	$ 21,341,000
Add		
Net income	6,375,000	2,990,000
Increase in shareholders' equity on purchase of subsidiaries' shares	23,000	100,000
Income taxes, prior year	93,000	
	30,418,000	24,431,000
Deduct		
Dividends	408,000	408,000
Income taxes, prior year		96,000
	408,000	504,000
SHAREHOLDERS' EQUITY IN SURPLUS AT END OF YEAR	$ 30,010,000	$ 23,927,000

Notes to Consolidated Financial Statements YEAR ENDED DECEMBER 31, 1976

1. ACCOUNTING PRINCIPLES

The consolidated financial statements include the accounts of the following subsidiary companies:

E–L Investment Management Limited (wholly owned)
The Empire Life Insurance Company (96.89% owned)
The Dominion of Canada General Insurance Company (99.33% owned)
and its subsidiary company, The Casualty Company of Canada

The financial statements are prepared essentially in accordance with accounting practices prescribed, authorized or permitted by the regulations governing insurance companies for insurance company annual statements, except for modifications principally as to classification and format for the purpose of clarifying the interest of the holding company. However, in certain respects as indicated below in (a) to (e) they are not in conformity with generally accepted accounting principles applicable to companies engaged in other industries.

(a) Commissions and other acquisition costs relating to acquiring new business are charged to operations in the year incurred. Some allowance is made for amortizing part of these costs by use of the Canadian Modified method of computing actuarial policy reserves but this does not give full effect to the amortization of these costs over the term of the policies. The result is to penalize gain from operations in a period of business growth and to improve gain from operations in a period of decline.

(b) Agents' debit balances, office furniture and certain relatively minor other assets are excluded from the balance sheet.

(c) Life insurance and annuity reserves are computed on the basis of mortality and interest factors permissible by the respective regulations governing insurance companies and are in excess of those that could be computed on the basis of the companies' past experience.

(d) Twenty percent of the unearned general insurance premiums at the end of each year are included in income as an offset to the costs related to the acquisition of these premiums. This percentage is the maximum permitted by insurance regulations. Dominion's actual acquisition costs have been consistently in excess of this proportion of premium income. Accordingly, this statutory limitation tends to have an adverse effect on reported earnings in a period of premium growth and, conversely, a favourable effect in periods when premium income is declining.

(e) Income taxes are calculated using the taxes payable method.

Notes to Consolidated Financial Statements (continued) YEAR ENDED DECEMBER 31, 1976

2. VALUATION OF INVESTED ASSETS

The basis of valuation of invested assets other than the segregated investment fund is cost or amortized value, less amounts written off from time to time. The resulting book values after deducting the general reserve for investments and contingencies are in the aggregate less than values authorized by the Association of Superintendents of Insurance of the Provinces of Canada. The segregated investment fund is shown at quoted market value

3. SEGREGATED INVESTMENT FUNDS

	1976	1975
Amount pertaining to staff pension fund	$ 746,000	$1,169,000
Policyholders' portion	8,927,000	8,375,000
Amount pertaining to shareholders' surplus including minority shareholders' portion $6,957 (1975 — $6,852)	328,000	300,000
	$10,001,000	$9,844,000

4. CAPITAL STOCK

	1976	1975
Authorized		
4,999,925 Preference shares, without par value, issuable in series		
10,000,000 Common shares, without par value		
Issued		
597,471 Series A convertible preference shares 2,736,567 Common shares	$1,773,000	$1,773,000

The Series A convertible preference shares are convertible into common shares on a share for share basis and are entitled when and if declared to a noncumulative dividend of 50¢ per share per annum.

Share purchase warrants

531,478.5 Warrants to purchase 531,478.5 common shares of the company at $12 per share exercisable until December 22, 1978 are outstanding at December 31, 1976.

5. SHAREHOLDERS' ACCOUNT

Under Empire Life's charter, shareholders are entitled to all profits from non-participating policies and that portion of profit on the participating policies equal to one-ninth of the amount paid to policyholders as dividends. For the years 1966 to 1976 an amount equal to one-ninth of the amount paid and provided for policy dividends on participating policies has been transferred from the participating policyholders' account to the shareholders' account. A lesser amount was transferred in earlier years.

6. PROFIT ON SALE OF SECURITIES

	1976	1975
Shareholders' portion	$ 379,000	$ 283,000
Participating policyholders' portion		61,000
Minority interest	3,000	4,000
	$ 382,000	$ 348,000

7. INCOME TAXES

Dominion has been reassessed for income taxes for the years 1969 through 1972 in the amount of $470,000. Formal notices of objection to the reassessments have been filed.

No provision for this liability has been made in the financial statements as Dominion has raised additional matters with regard to these years on the application of income tax law which, if upheld, will more than offset the amount of the reassessment. Whatever the result of these submissions, as they affect the years 1969 through 1972, there are no income taxes payable in the year ended December 31, 1976 due to the availability of allowable tax reserves, sufficient to offset taxable income.

8. OTHER STATUTORY INFORMATION

	1976	1975
Remuneration of directors and senior officers of the company	$ 269,341	$ 226,817
Depreciation and amortization	$ 93,000	$ 92,000

9. CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Due to the nature of the companies' operations a consolidated statement of changes in financial position would not be considered meaningful and has, therefore, not been included.

10. ANTI-INFLATION ACT

The company and its subsidiaries are subject to the Anti-Inflation Act which provides for the restraint of profit margins, prices, compensation and dividends. In the opinion of management, the company and its subsidiaries have complied with the provisions of the Act in all material respects.

Summary of Consolidated Results

(all figures expressed in thousands of dollars)

	1976	1975	1974	1973	1972
Premium Income	$111,484	$ 88,314	$ 76,487	$ 67,732	$ 57,570
Investment and Other Income	20,076	17,479	15,630	13,489	11,948
Total Revenues	131,560	105,793	92,117	81,221	69,518
Claims and Other Benefits to Policyholders	67,228	55,568	54,450	39,554	32,071
Increase in Policyholders' Reserves	20,119	16,140	13,435	15,160	12,354
Expenses (including agents' Commissions)	34,757	27,420	23,449	20,895	17,551
Taxes paid to Governments	3,212	3,257	1,839	2,566	3,032
Profits paid or allocated to Policyholders	248	701	(380)	135	621
Net Operating Profit	5,996	2,707	(676)	2,911	3,889
Net Realized gains on security transactions and other extraordinary items	379	283	2,794	1,367	463
Total Net Profit	$ 6,375	$ 2,990	$ 2,118	$ 4,278	$ 4,352
Net Income					
Per share (net operating income)	1.80	.81	(.20)	.86	1.16
Per share (including capital gains and extraordinary items)	1.91	.89	.63	1.28	1.31

	1976	1975	1974	1973	1972
Assets					
Cash and Short Term Investments	$ 5,950	$ 5,702	$ 5,440	$ 4,020	$ 3,767
Bonds and Debentures	102,050	85,719	69,216	64,845	58,290
Preferred and Common Stocks	76,314	61,296	58,174	52,730	47,584
First Mortgages on Real Estate	91,653	86,564	87,070	78,657	71,544
Real Estate	5,860	5,916	5,953	5,575	5,623
Loans on Policies	13,024	12,120	11,412	9,622	9,151
Segregated Equity Funds	10,001	9,844	7,560	8,701	7,044
Other Assets	18,279	14,839	12,907	10,776	9,316
Total Assets	$323,131	$282,000	$257,732	$234,926	$212,319
Liabilities					
*Policy and Unearned Premium Reserves	$214,901	$193,274	$175,185	$166,022	$150,927
Reserve for Claims	46,768	36,417	30,407	23,209	19,877
Other Liabilities	14,124	10,034	11,859	7,815	6,974
Policyholders' Equity in Surplus	1,514	2,534	3,126	3,173	3,717
Total Liabilities	$277,307	$242,259	$220,577	$200,219	$181,495
Capital, Surplus and Investment Reserve	45,824	39,741	37,155	34,707	30,824
	$323,131	$282,000	$257,732	$234,926	$212,319

*including staff pension and segregated funds.

Summary of General Insurance Operations

(all figures expressed in thousands of dollars)

	1976	1975	1974	1973	1972
Net Premiums Written					
Automobile	$ 52,504	$ 41,588	$ 32,540	$ 28,098	$ 24,838
Casualty	12,517	8,357	7,230	5,770	5,199
Fire	12,969	8,375	7,421	6,225	5,652
Total Net Premiums Written	$ 77,990	$ 58,320	$ 47,191	$ 40,093	$ 35,689
Net Premiums Earned	$ 71,312	$ 53,338	$ 45,282	$ 38,593	$ 33,554
Claims Incurred	48,598	39,604	37,918	26,402	21,016
Operating Expenditures including Commissions and Premium Taxes	22,975	17,025	14,388	12,324	11,079
Underwriting Profit	$ (261)	$ (3,291)	$ (7,024)	$ (133)	$ 1,459
Investment Income	5,050	3,880	3,420	2,706	2,329
Net Profit Before Taxes	$ 4,789	$ 589	$ (3,604)	$ 2,573	$ 3,788
Income Taxes (Recoverable)	–	–	(693)	390	1,017
Net Operating Profit	$ 4,789	$ 589	$ (2,911)	$ 2,183	$ 2,771
Claims Ratio (to net premiums earned)	% 68.2	% 74.3	% 83.7	% 68.4	% 62.6
Expense Ratio (to net premiums written)	% 29.5	29.2	30.5	30.7	31.0
	% 97.7	% 103.5	% 114.2	% 99.1	% 93.6
Assets					
Cash and Short Term Investments	$ 5,500	$ 3,477	$ 4,870	$ 2,886	$ 3,447
Bonds and Debentures	44,231	33,505	24,443	20,935	16,924
Preferred and Common Stocks	38,613	31,961	30,738	27,541	25,039
First Mortgages	853	817	894	919	990
Real Estate	2,394	2,427	2,460	2,493	2,439
Amounts Receivable	13,909	10,981	9,593	8,048	6,989
	$105,500	$ 83,168	$ 72,998	$ 62,822	$ 55,828
Liabilities					
Unearned Premium Reserve	$ 31,471	$ 24,792	$ 19,810	$ 17,901	$ 16,401
Reserve for Claims	43,229	33,350	28,025	20,552	17,681
Other Liabilities	2,707	2,053	2,545	1,100	1,499
	$ 77,407	$ 60,195	$ 50,380	$ 39,553	$ 35,581
Capital, Surplus and Investment Reserve	28,093	22,973	22,618	23,269	20,247
	$105,500	$ 83,168	$ 72,998	$ 62,822	$ 55,828

Summary of Life Insurance Operations

(all figures expressed in thousands of dollars)

	1976	1975	1974	1973	1972
Net Premium Income	$ 33,493	$ 29,994	$ 29,294	$ 27,639	$ 21,881
Investment and Other Income	14,793	13,369	11,971	10,576	9,365
	$ 48,286	$ 43,363	$ 41,265	$ 38,215	$ 31,246
Benefits to Policyholders	$ 18,630	$ 15,964	$ 16,530	$ 13,152	$ 10,541
Increase in Policy reserves	13,275	9,940	9,711	11,449	9,279
Expenses and Commissions	14,044	11,745	10,128	9,414	7,351
Taxes	777	1,750	1,305	1,171	1,002
Premiums to Segregated Funds	165	1,218	1,815	2,211	1,228
Profits allocated to Policyholders	192	642	(438)	80	733
Net Operating Profit	$ 1,203	$ 2,104	$ 2,214	$ 738	$ 1,112
Assets					
Cash and Short Term Investments	$ (586)	$ 1,652	$ (2,697)	$ 159	$ (232)
Bonds and Debentures	47,819	52,215	44,774	43,910	41,366
Preferred and Common Stocks	34,399	28,884	27,149	25,130	22,526
First Mortgages	90,800	85,746	86,176	77,738	70,554
Real Estate	3,465	3,489	3,494	3,082	3,184
Loans on Policies	13,024	12,120	11,411	9,622	9,151
Segregated Equity Funds	10,001	9,844	7,560	8,702	7,044
Other Assets	4,337	3,794	3,277	2,720	2,327
	$ 213,259	$ 197,744	$ 181,144	$ 171,063	$ 155,920
Liabilities					
Policy Reserves	$ 164,690	$ 151,415	$ 141,476	$ 133,780	$ 122,362
Amounts on deposit	57,819	5,044	4,513	4,255	3,595
Reserve for Claims	34,399	3,068	2,382	2,657	2,196
Staff Pension Fund	8,739	7,222	6,339	5,638	5,120
Segregated Equity Funds	10,001	9,844	7,560	8,702	7,044
Other Liabilities	1,741	2,218	1,439	1,572	1,452
Policyholders' Equity in surplus	1,514	2,534	3,126	3,173	4,150
	$ 195,943	$ 181,345	$ 166,835	$ 159,777	$ 145,919
Capital, Surplus and Investment Reserves	17,316	16,399	14,309	11,286	10,001
	$ 213,259	$ 197,744	$ 181,144	$ 171,063	$ 155,920
Net Interest Earned	% 7.65	% 7.41	% 7.17	% 6.89	% 6.75
Insurance in Force					
Individual Lives					
Whole Life and Endowment	$ 706,862	$ 608,264	$ 540,596	$ 501,681	$ 465,209
Term Insurance	562,737	484,006	429,673	393,681	365,436
Annuities	79,884	73,754	69,701	63,632	40,757
Health Insurance	4,773	3,748	3,563	3,520	3,718
"Equity" Insurance and Annuities	20,813	26,835	30,362	32,145	26,421
	$1,375,069	$1,196,607	$1,073,895	$ 994,659	$ 901,541
Group					
Life Insurance	$ 861,152	$ 710,202	$ 602,213	$ 426,174	$ 343,653
Annuities	164,720	151,423	166,226	130,497	79,069
Health Insurance	150,910	135,762	119,934	86,234	72,738
	$1,176,782	$ 997,387	$ 888,373	$ 642,905	$ 495,460
Total Insurance in Force	$2,551,851	$2,193,994	$1,962,268	$1,637,564	$1,397,001

NOTE — Volume figures for Life Insurance in Force are expressed net of reinsurance ceded.

THE EMPIRE LIFE INSURANCE COMPANY

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